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THE UNIONS VERSUS HIGHER WAGES¹

This case is now on trial before the tribunal of the industrial world. It promises to be a *cause célèbre*. The decision in this matter is of vital importance to millions of people, and untold millions of dollars are at stake. There have been many advocates pleading before this court who have told but one side of the question. In a plain and simple way, as a friend of those who wish higher wages, I ask to be permitted to make a plea for the defendant. I wish to have this chance to present the economic argument in favor of higher wages. It seems to me that the plaintiffs in this case now on trial—the labor unions—have not rendered full justice. I ask judgment for higher wages.

In the past the unions have presented the grounds of their action; and they report they have had many difficulties in raising, and sometimes even in keeping up, wages. The position of the unions should be carefully examined, because—as we are pleading the cause of higher wages—it should be ascertained whether the union policy has been one which is likely to result in higher wages. Because of errors on the part of the unions, because of a misunderstanding of the causes regulating wages, the unions, while seeming to be working in favor of the working-

¹ An address read at the banquet to the Citizens' Industrial Association, St. Louis, Nov. 15, 1905.

men, have been acting against the real interests of the laborers, and against the future improvement of their standard of living. I shall try to enumerate briefly the things which have been wrongly managed :

1. The unions have stimulated, rather than attempted to remove, the antagonistic class-feeling between the employer and the employee. This antagonism has not always existed. In earlier decades of our history the antagonism between the employing and the laboring class was far less in evidence. With the great increase of wealth, with the consequent envy excited by its proud display, with the growth of large cities, and especially with the influx of foreign immigrants steeped in the socialistic tenets of Europe, there has come a pronounced change. The talk of arraying the masses against the plutocrats is now frequently bandied about.

In the earlier days the gap between the ordinary workmen and the employer was inappreciable; and comparisons between their possessions were not suggestive of ill-feeling. About 1840, daughters of self-respecting Americans worked in the cotton mills of New England; and yet the wages were small as compared with those now earned by workers many grades lower in intelligence. In fifty years the actual money wages have doubled; the money buys more of goods lowered in price; and at the same time the hours of labor have fallen from fourteen to sixteen per day to eight or ten. These gains, moreover, were obtained before the activity of labor unions, and must be attributed directly to the increased productivity of industry, which, by increasing the efficiency of labor and capital, increased the quantity and value of the output, and thus allowed the capital its old remuneration, while adding largely to the wages of labor. The standard of living among workmen is higher than it has ever been, higher than it is among most competing nations.

2. The unions have encouraged the theory of a right to ownership in the product made by labor, capital, and management. So long as great fortunes are accumulated in the United States, the fact itself is taken as a proof that labor is not

receiving its due share of the results of production, without any real attention to the economic principles regulating the payments to capital and the other factors of production. It is believed that additions to the wages of labor can be exacted as long as any large profits are taken out of a business by the owners. The rank and file of the laboring class fully believe that there is no economic reason why the wages, for instance, of a plumber, now receiving \$4 a day, should not be increased to \$10, or even to \$50 a day. As a consequence of this widely accepted belief, when by strikes and pressure the employers are led to give an increase of wages, it must not be supposed that this rise will produce satisfaction and peace. Far from it; the grant of the increase is regarded as evidence that more will be disgorged of what belongs by rights to labor, if only pressure enough is applied to the employers. Give an inch, and very soon an ell will be demanded. The theoretical basis, therefore, of much of the agitation for higher wages is to be found in the belief that large fortunes are necessarily accumulated at the expense of the laboring class, without regard to the other necessary elements in production. And this point of view explains clearly why there is such eagerness in certain quarters to legislate against large fortunes.

3. The unions feed their members chiefly on socialistic and un-American literature. In the main, the literature of socialism and unionism is indistinguishable. Of course, many unionists are not socialists; but the literature actually read, if at all, by the unions, is the inheritance of Marxianism, a brew of all the different theories of European radicals, assuming specific form or expression according to the individuality and eccentricity of the prophets of the "new order." From this source is derived the common belief that it is labor which has created the value in the product of industry. There is no denying the widespread diffusion of this idea; and it inspires the unions to make practical demands based upon this theory. In the Homestead strike, some years ago, a very emphatic claim was made by the laborers to ownership in the establishment. Such points of view may be visionary, but their enforcement by unions in specific acts makes

up a part of the practical situation which employers have to face.

4. They have approved the mistaken policy of "making work." There is no doubt whatever that restriction of the output—or "making work"—is widely prevalent; and yet its existence is frequently denied by the unions. The basis of this policy seems to be found in the history of its origin given by labor leaders.² It is claimed that the employers, wishing to get the maximum work out of the laborers, introduced an unusually swift workman, called a pace-maker, whose results must be equaled by all other workmen. Or, if piece-work were introduced, when very active men began to earn high daily wages, the price paid per piece was reduced, so that ordinary effort earned very low wages. To meet this policy of grasping employers, it is said that the unions found the limitation of output to be necessary. This explanation, however, is disingenuous. With most laborers there is a belief that work, or employment, is limited, and if a particular job can be prolonged, they get so much more out of the employer; that such acts are ruinous to the efficiency of production, raise the prices of products, and prevent employers from getting contracts and offering future employment, seems beyond the vision of many unions. As a rule, they demand all they can get, by dint of threats and force, and leave it to the employer to overcome the increased cost as best he may.

5. Finally, the unions have wrongly based their whole course of action on the principle of a monopoly of the supply of laborers in a given occupation. A monopoly is obviously effective in regulating the price of anything only if the monopoly is fairly complete; it must control the whole supply. Moreover, there must be a demand sufficient to take off all the existing supply, or the price is likely to fall. Thus, there must not only be an active demand for labor from employers, but, in order to regulate the price, the unions must control all of the labor then available. This, in brief, is the real stumbling-block of unionism in America. In fact, the unions include only about 7 per cent. of the total

² Cf. Thomas I. Kidd, *American Economic Association*, 1904, p. 196.

body of laborers.³ This result is true in spite of the proclaimed intention to include in a union each worker of every occupation, and then to federate all the unions. In some one locality, however, it is possible that all of a certain employment may be included in the membership.

In view of these facts, the theory of a monopoly effective on the whole supply, fails, and becomes a theory of an artificial and only partial monopoly, working to establish a price above that which will insure the employment of the whole supply of competing laborers. This situation, consequently, means always and inevitably the existence of non-union men, against whom the unions must constantly wage war. Under this system, high wages for some within a union can be maintained only by the sacrifice of others without the union. In short, the union scale of wages can be kept only by driving all other competitors from the field. The monopoly is only artificial, not real.

It will be objected by union leaders that it is their policy to gather every laborer into the union, and thus eventually control all the supply in an invincible monopoly. The unions, however, although the practice varies, do not admit all comers.⁴ But, if all laborers were unionists, the situation would be the same, as regards supply, as if there were no unions. In that case, could the unions maintain the "union scale" of wages? Not if the union scale is above the market rate. If the whole supply of

³ In 1900 there were 29,074,117 (23,754,205 male) persons engaged in gainful occupations over ten years of age. John Mitchell (*Organized Labor*, chap. 6, p. 87) reports, in 1902, 10,705 delegates to the American Federation of Labor. At 100 members for each delegate, the legal membership should be 1,070,500. Writing a short time after, Mr. Mitchell estimates the actual membership at about 2,000,000. Probably this is now too high a figure, because of dissensions and failures of strikes.

⁴ "Machinery has robbed many industries of the old time skill required by the artisan. The logical outcome of a lack of an apprenticeship system would be that boys would fill our shops and factories at a much lower wage than is now received by men. The men would be walking the streets in a vain search for employment. This might result in lessening the cost of production to some degree, and to that extent the public might be benefitted, but society on the whole would lose more than it would gain."—Thomas L. Kidd, *American Economic Association, ante cit.*, p. 198. This quotation is a full admission of the impossibility of keeping up wages, if unions admit freely all who apply.

laborers is thus introduced into the field of employment, then the rate of wages for all in any one occupation can never be more than that rate which will warrant the employment of all—that is, the market rate. Also wholly aside from the influence of demand, in order to control the rate of wages, the unions which include all laborers must effectually control, not only immigration, but also the birth-rate. The impossibility of such a control everyone knows. Hence there is little hope for permanently higher wages by this method of action.

6. The outcome of such an attitude has been a series of acts of violence which have shocked the civilized world.

Inasmuch as the unions, particularly those composed of the unskilled classes, contain only a fraction of the available labor force, the existence of a large body of non-union men is a rock of offense standing in the way of the demands for a rate of wages, above that market price at which all of the supply would be employed. Hence a passionate hatred of the non-union man, or "scab," who is charged with being a traitor to his class, if he accepts less than the union scale. Although possessing only a partial monopoly, the unions act as if they had a complete monopoly of the labor supply; and, in spite of certain failure, they have created a code of ethics which justifies any act, whether illegal or unjust, which helps to maintain the artificial monopoly. The whole point of the union demand is admittedly that the "union scale" is above the market rate fixed by open competition. Obviously the union rate can be maintained only by limiting the supply of labor to members of the union and by driving out the non-union competitors. Consequently, the inevitable outcome of the present policy of many labor organizations is lawlessness, and an array of power against the state. Having only an artificial monopoly of labor, their purposes can be successfully carried out only by force and intimidation.

An account of the brutal war carried on between union and non-union men would form very unhappy chapters in the life of our people. It calls forth the lowest passions of men who have not yet found the way to any moral growth; and, worst of all, it seems to befog the ethical vision of those who have had full

opportunity for knowing what is right and wrong, and what is good and bad for the state. The great mass of the laboring body are honest and law-abiding; the responsibility for the erroneous policy and its criminal consequences must be placed on their leaders, and on some economic advisers who have more heart than brains. The crux of the whole matter is in the incomplete control of the supply of labor by the unions.

It is an indisputable fact today that, if law and order were enforced, if an employer were allowed without hindrance to hire any man he chose, if these men could go peacefully to work and be unmolested in the streets, if their families were not boycotted, a strike would almost never succeed. This is due to two things: (1) the large supply of competing labor; and (2) the fact that the very general introduction of machinery into all industries has reduced the necessity of having especially skilled men in as many processes as before. "A non-union contractor, with his lower wages and imported labor, would soon drive the union contractor out of business."⁵ "The non-unionist is always the danger to the wage scale."⁶ There is no doubt upon this point. It is therefore sheer stupidity to keep on trying to force the adoption of the union scale with no control over the whole supply of labor. It is not the fault of the non-union man that he must accommodate himself to the market conditions of labor. He is a human being; and he has rights as well as union men. Moreover, non-union men can soon better the output of union men who restrict product. In certain shops in Chicago making printing-presses, heavy conveying machinery, sewing-machines, machine tools, steam valves, mill and mining machinery, and the like, a strike threw out of employment some 1,500 of presumably skilled workers. Almost immediately the shops were filled with new men, few of whom had ever done this kind of work. Within three months, with the same hours per day, the green hands equaled or exceeded the output of those who had had years of experience. In fact, the potential adaptability and ingenuity

⁵ John R. Commons, "Causes of the Unionshop Policy," *American Economic Association*, *ante cit.*, p. 156.

⁶ John G. Brooks, *ibid.*, p. 163.

of the great body of American laborers must always be taken into account, as well as the fact of the whole supply.

In short, the unions act as if an increase in the rate of wages could be determined by demands upon the employers, when in reality it is prevented by the actual facts of the supply of labor. Under these conditions the necessity of intimidating non-union men, of catching employers at a critical emergency when refusal is well-nigh impossible on any grounds, has become a fine art.

7. Finally, as a result of an erroneous theory of unions, there has grown up a body of unwise and brutal leaders, demanded by the futile policy of an indefensible monopoly. Wrong-headed leaders are the inevitable consequence of a wrongly devised theory of unionism.

There has thus been created a situation out of which has arisen a dangerous class of labor leaders. It is not claimed that all leaders are of this kind—far from it. But the situation—wrong and artificial though it is—demands a leader who will not stop at anything to gain his point. “Peaceful picketing” has become only a synonym for threats of violence. For a long time it has been believed that unions employed professional thugs to intimidate “scabs” and employers; but recently this has been carried on openly. The funds have been appropriated under the head of “educational methods.” In fact, picketing, boycotts, breaking heads, even murder, have been resorted to, to carry out the demands of the union, based on a theory that is economically indefensible. “I do not consider anything,” says C. P. Shea, president of the International Brotherhood of Teamsters, “a violation of an agreement that is done to uphold the principles of trades-unionism.” He represents the worst type of labor leader.

It is a sad outlook for the honest majority of the laboring class. They are not to blame. Untrained in economic analysis, they necessarily trust themselves to the policy set by their leaders. Among these there are many notable exceptions—men of character and force; but, on the other hand, there are some dishonorable, unscrupulous, lecherous and pig-headed men, who would be a disgrace to any penal colony. Corrupt leaders of

this sort threaten employers with strikes and obtain "blackmail" which is appropriated for their personal use and indulgence. The ignorance, lack of business habits, and helplessness of the laboring classes has been seized upon by clever and designing men as a means of fattening their own purses, and getting the resources for the indulgence of their lowest vices. Leaders of this sort, who would never be trusted with a dollar in business life, find themselves in possession of tremendous power over the prosperity of great industrial concerns, over the convenience of the public, and over the very security of women and children in the highways and busy streets of the community. They will even embezzle the union funds—contributed painfully in small sums by the men who toil—and join in schemes for looting other union treasuries, by calling strikes. Unscrupulous employers have not been slow to see how to use such men for their own interest; and a group of employers in agreement with a group of unions have formed a combination to monopolize the work and trade in certain occupations.

Nor has the bad influence of such leaders ended here. They have not hesitated to solidify their positions by bargains with local political managers to deliver the vote of the unions to certain tickets. In some cities the mayor, who is dependent on the labor vote for his re-election, has been put under such pressure by these leaders that the police force has been kept from preserving order when the union men are assaulting "scabs." In ways such as these, acts of violence and forms of rioting are tolerated or winked at, which are a disgrace to civilized society. And the effects of such doings are far-reaching. When youths of the laboring class observe that arrogance, bluff, and the appearance of force are a sufficient protection for inefficiency or even for crime they are not likely to grow up with a respect for the law.

Nothing more than the above seems to be needed to show to anyone of common-sense that something is wrong with the case of the labor unions. Therefore it is now high time to present the case of the defendants—higher wages— and to ask the

court of last resort—the Court of Public Opinion—to overrule the false contentions of the unions, and to order an obedience to the principles which will not only insure higher wages now, but also provide a steady rise in the wages of future generations. In behalf of higher wages I here submit the following arguments:

1. Productivity, or efficiency, is a reason for higher wages. To all students of economics this proposition has long been familiar; and why it has not been taken up and adopted by the labor unions is passing strange. Perhaps it reveals better than anything else the unfortunate unwillingness of certain groups of persons to train themselves in economics, and it shows their habit of reading only the literature which supports their preconceived opinions. The mental attitude of many persons is not one of inquiry and open-mindedness, but one of rigidity and narrowness quite mediæval.

As long ago as Ricardo—and it was clearly expressed by John Stuart Mill—it was explained that an increase of productivity on the part of a laborer was a reason why wages could be increased without reducing the profits of the employer; while in recent literature, from F. A. Walker to J. B. Clark, the whole emphasis has been put upon the productivity of labor as the explanation of the causes of the fluctuations in wages; increase productivity and wages rise. This is not an abstruse, or difficult statement; it is only another way of saying that a skilled man gets more than an unskilled man. Every man's experience will bear testimony as to the truth of this proposition.

Now, having reached a general truth, based not only upon the thinking of the best economists, but also upon a common experience of all men, we may next ask: What is the explanation of this fact? In other words, why should increased productivity bring increased wages? Productivity, it is scarcely necessary to say, is the power to add to the quantity of product turned out in any industry, or to improve the quality of the article. The point then, is: Why is productivity worth more to the employer? The answer is as plain as day: Because, on merely selfish grounds, the employer will pay more for labor

which returns better results in product, for exactly the same reason that any man will pay more for a good horse than a poor one. Or, in the language of the economists, the thing which yields the greater utility, or satisfaction, will have the stronger demand, and—other things being equal—will bear the higher price.

2. Here, then, we have the conclusion arrived at by the brightest minds in the economic world, who have devoted their lives to the study of the causes of wages. Have these conclusions been adopted by the labor unions as the basis of their conduct? If not, are the leaders of the unions, such as Shea, Driscoll, "Skinny" Madden, and the like, better fitted by brains, study, and experience to lay down the action of unionists than these others I have just mentioned? Evidently they think they are; and they have proceeded to enforce the futile theory of an artificial supply of the market—when, in reality, the supply cannot be controlled. The assumption must inevitably be that the headstrong, self-seeking, brutal leader who freely counsels slugging and murder, is not a safe investigator into the principles regulating wages.

And let me say here that I am not arguing against unions, which are a power to the workmen. I am speaking, not against unionism itself—which I believe in—but against the abuses and mistakes of unionism.

3. If it be seen that, owing to the existing large number of non-union men, the unions always have had trouble in gaining their demands, what is to be done? How can unionists escape the inevitable competition of non-union men whose numbers keep down wages? Remember that I am making a plea solely in the interests of higher wages, believing that the unions are unfortunately working against that result, because of a limited understanding of the principles by which wages can be raised. The escape from the influence of over-supply, let me insist, can be effected solely by adopting the principle of productivity. By making entrance to a union dependent solely on efficiency in adding to production; by seriously setting to work to improve the quality of their workmanship; by furnishing the latest infor-

mation to members as to new devices, and new tricks by which dexterity, efficiency, and product can be increased; by systematically aiming to reduce friction with employers; by putting a premium upon honesty, sobriety, punctuality, and steadiness—by these, and countless other ways which need not be mentioned, the membership can be made a picked body into which no shiftless, drunken, incompetent, or trouble-making man can gain admission. These latter must drop into the class of non-union men; and thus we should have a readjustment of laborers, by a natural and just evolution, in which union men are the exponents of productivity, and favored by employers, while the non-union men are the inferior class who are no longer capable of competition with unionists.

4. It is next in order to emphasize one element of productivity which is of pre-eminent importance. A sympathetic relation and a helpful attitude between laborers and employers is an absolute essential to productivity. If two men are rowing in the same boat, can they afford to waste their strength in pulling in opposite directions? But that would be no more absurd than the violent struggles of today between employees and employers. The very first thing to do is to get together, and to stop fighting each other. An antagonistic attitude is wholly asinine. On the part of laborers, let them say to employers: What is there that we can do to increase the units of product, reduce the cost of manufacture, and help in increasing the sales? And, if we join you in these improvements, what consideration will you allow us, apart from the gains of living peacefully together? On the side of employers, also, an improved attitude is necessary. The employers have very often been thinking selfishly only of increasing their personal fortunes at the expense of their laborers; they have taken all they could get, and have given nothing in return; they have failed to reward increased efficiency, and have done many things superciliously to hurt the self-respect and manhood of their operatives. If, on the other hand, they make a point of rewarding increased efficiency, of picking out men who have done most to add to productivity, they will unmistakably raise the *morale* of their force, and meet, in the end,

with a general response from their men. These things, however, cannot be accomplished in a day. At present there is an *armed neutrality* and suspicion on both sides, which must be banished by intelligence and good feeling. But let me repeat that some employers must learn a new spirit of helpfulness if they wish to escape labor difficulties.

5. Before a better understanding can be brought about on both sides, one subject of more or less difficulty must be threshed out. If you advise the laboring body to increase their productivity, they will reply: "What is the use of adding to the employer's output, if we get nothing for it?" Now, as to this, we must frankly admit the presence among us of some employers who do not always know what is for their own interest; but it is inconceivable that for any length of time, or by many men, the improved quality, or quantity, of product in any establishment, could remain unrecognized. There are stupid employers just as there are stupid laborers. But I do not hesitate to say emphatically, from my own knowledge of manufacturing establishments, that the employer who does not discriminate in favor of the more productive employee, and reward him accordingly, does not know properly how to manage his own business, and must inevitably go to the wall in the competition with his rivals who do know. In these days few people realize the grinding, eager, intense, and minute competition which goes on between producers in the same business. It is about as impossible for a laborer who looks out for his own interests, to escape being rewarded for growing efficiency, as for a man who is honest to escape the respect of his neighbors.

But, if there is the slightest difficulty in obtaining this recognition for increased efficiency, it is precisely at this point that the pressure of intelligent unionism should be applied. If the unions wish to enforce payment in proportion to the productivity of laborers, their success will be quick and easy as compared with some of the present attempts to insist on the same uniform rate of wages for all alike, competent or incompetent. The failure of many strikes, and the antagonism of employers, is the inevitable consequence of a blind pressure for higher wages,

quite independent of the differing productivity of different laborers, and their effect on the total output. It is about as silly to suppose that a business house could afford to pay all their salesmen the same wages, irrespective of the amount of sales made by each man, as to suppose that each of a hundred, or of a thousand, men should be paid equal rates of wages, irrespective of their addition to the general result. As a matter of fact, every well-conducted business today has a record of the cost of every sort, in each separate department of its works, and can immediately recognize the efficiency of any particular part of its force. And it is also a fact that those establishments which have the least trouble with their employees have adopted a system by which individuals are rewarded for improved work, for suggestions as to improvements and inventions, and for anything which will cheapen the output, or increase the sales.

In conclusion, let me make a plea for tolerance of the man at the bottom of the ladder. He may be narrow; he may be uneducated; he may be unable to reason correctly from the limited data at his disposal; he may not know much of the trials and difficulties of running a great business; but, in the main, he is a man who responds to fair and reasonable treatment; he will, in most cases, do the right thing, if he sees it plainly. Honor, honesty, and fairness are as common in him as in the man of any other class. Therefore, a responsibility lies upon the intelligent and helpful class in the community to do all that in them lies to enable him to see the labor question in its true light. His acts should be judged in the light of his means of reaching just conclusions, and not as if he had all the knowledge and wisdom of society. He needs light and disinterested help in solving his hard problem of how to get on in life, quite as much as he needs higher wages.

J. LAURENCE LAUGHLIN.

UNIVERSITY OF CHICAGO.